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C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000682

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SUBJECT: BURMA: REAL POLITICAL REFORM NEEDS A STRONG,
HONEST MIDDLE CLASS

REF: A. RANGOON 333

[1](#)B. 04 RANGOON 559

[1](#)C. 04 RANGOON 465

[1](#)D. 04 RANGOON 247

Classified By: COM CARMEN MARTINEZ FOR REASONS 1.4 (B,D)

[1](#)1. (C) Summary: Burma's lack of a strong independent civil society and progressive middle class are fundamental obstacles to the ultimate success of any democracy movement. The SPDC's patronage system and a lack of good education opportunities make it difficult for the business community to develop into a politically effective civil society actor. However, there are some diamonds in the rough -- progressive capitalists -- who are looking for ways to make that transition occur. Assisting this transformation, even at the micro-level, could help build a "second front" in the fight for meaningful reform in Burma as well as help to ensure the sustainability of future democratic regimes. End summary.

A Middle Class Built on Cell Phones

[1](#)2. (C) An alarming aspect of Burma's devastated economy is the lack of an educated, progressive, and globally minded business class. Burma is enough of a market economy to encourage private actors to get rich, but still centrally controlled to the point where making an honest buck is difficult. The result has been the evolution since 1988 of a middle class of entrepreneurs the vast majority of whom earn their keep via connections and taking advantage of economic distortions -- especially trading in goods and services made artificially scarce by poor government policy. Most "modern" Burmese businessperson do not see the linkage between their own success and overall higher living standards and a developed economy -- much as members of the ruling SPDC does not see the importance of linking their well-being with that of the Burmese people. Instead, the reigning philosophy in the business world -- particularly since the October 2004 ouster of former Prime Minister and MI chief Khin Nyunt (ref A) -- is snatch and grab before the rules and/or patrons change. This is hardly the best situation for a country aspiring to democracy and a market economy.

[1](#)3. (C) There are two major factors at fault here. First, the ruling military regime relies on a strict system of patronage for securing its power base (ref D). Loyalty to the regime leaders means the difference between a lucrative posting or concession and sudden retirement, banishment, or arrest. Thus, the regime leaders do not rely on their business cronies, senior civil servants, and senior military officers for support. Instead, it is the other way around, with ascendant business, government, and military officials generally benefiting from the status quo. From our contacts, it's clear that few in Burma, even those with significant wealth and power, are happy with the way the country is run. Particularly after the scorched-earth campaign against Khin Nyunt's closest friends and relatives, however, there is no sign that this unhappiness will materialize into open opposition to the SPDC. Who will be the first to risk their position and family's future welfare by taking a stand?

[1](#)4. (C) A second major problem is the lack of solid education and access to the ideas of the outside world. To succeed in the Burmese economy there's no need for a business education or even a rudimentary understanding of international principles of strategic planning, ethics, business law, investment, or management. Some argue that the SPDC's intentional destruction of the country's educational system, keeping people ignorant and without prospects for economic improvement, is another strategy for remaining in power. The fact that generally only the children of senior military officials, or of the wealthiest private citizens, are able to afford or arrange a good education (usually abroad or in military or private schools in Rangoon) supports this claim, and further illustrates how civilian and military cronies are more reliant on the government than vice versa. Fortunately, this education gap is an area where there is room for improvement and for potential assistance.

Can Democracy Come Without One?

15. (C) With the SPDC daily strengthening its position vis a vis political parties, and traditional politically aware populations (students, intellectuals, monks, etc.) dispersed and intimidated beyond action, the prospective role of other sectors of civil society -- such as the business class -- becomes more important. There is a need for a "second front" to push indirectly for political change, and a responsible middle class to help run a free country when that change comes. Additionally, it is clear to us from our dealings with pro-democracy politicians across the spectrum that few are thinking about economic and business policy reforms that must be instituted if any future democratic regime is to be sustainable. A more politically aware and active business community could help fill these holes.

16. (C) Though recruits for this second front are thin on the ground, looking at the business community alone there are a handful of independent-minded, progressive businesspeople who, while working within the system, eschew corruption and admire principles of globalization and the American work ethic, economic system, and business model. Though obviously focused on earning money and succeeding in Burma's byzantine business climate, they also feel a responsibility for educating their workforce and younger executives before they can become poisoned by the corruption of Burma's economy. They see clearly the connection between a globally connected, democratic, transparent, and market-based system and more durable prosperity. Their reasons for wanting real change -- freedom of information, better economic situation for consumers and investors, openness to foreign technology and investment, etc. -- may be somewhat self-serving. However, this class of progressive capitalists would be an important, and potentially influential, force for change that would co-exist with the political opposition, and push from another angle.

17. (C) Using the business community as a vehicle for pushing for reform has a number of advantages. First, businesspeople are given the most freedoms of any other "class" in Burma: comparative freedom to travel, associate, publish, and speak freely -- as long as the topics avoid overt political themes. Because of these freedoms, businesspeople have access to the pulse of the nation and have more frequent and more dynamic relations with a broad array of Burmese of all classes. Second, successful businesspeople often have collegial contact and some influence with relatively senior government and military officials. Though this makes "finding an honest man" more difficult, it makes businesspeople who operate with ethics, morals, and political awareness more effective actors, with their access to the potential "silent majority" of disaffected military officials and civil servants. These contacts also mean businesspeople are viewed with less animosity by the leadership, and are given some level of protection. Third, because most businessmen are quite active across the country, especially in the border areas, they have significant knowledge of and close relationships with potentially like-minded colleagues from major non-Burman ethnic groups (Shan, Kachin, Rakhine, Karen, Mon, etc.)

Comment: Can We Make a Difference?

18. (C) By building intellectual capacity the U.S. government can play an important role in nurturing this potentially nascent democratic force of independent, international, and politically progressive businesspeople. We are already using the limited tools at our disposal -- International Visitor grants, Fulbright Specialist programs, and regular consultations with embassy staff and American Center visitors -- to encourage the few willing to take the initiative. A visiting Center for International Private Enterprise (CIPE) official (ref C) and an officer of the American Chamber of Commerce in Thailand (ref B) explained to attentive audiences the key role business should play in democratic civil society. The NLD was supportive of CIPE's message that education and organization of non-crony businesspeople could be a shot in the arm for democratic reform.

19. (C) More could be done if funds (from the annual Burma Earmark for example) were made available to carefully target and further build the capacity of these individuals. In turn they could reach out systematically to a broader audience to teach responsible business practices and the poorly understood role of the business community in a functioning democracy. This latter lesson could be the foundation of private and independent business associations. Such education would also do much to combat the negative lessons of Burma's current business climate and create a responsible business-minded populace with more at stake and more incentive to change the system. End comment.
Martinez